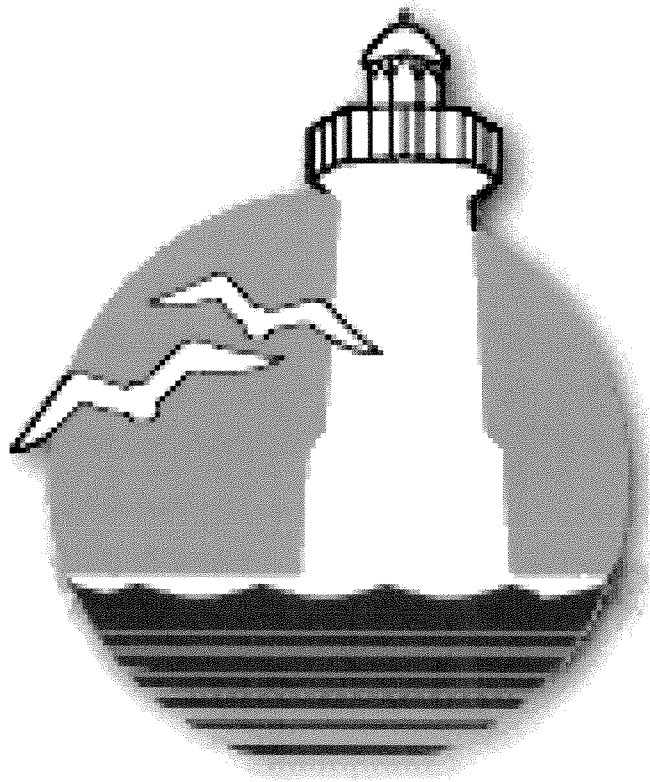


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended December 31, 2013

## FOND DU LAC COUNTY

FOND DU LAC, WISCONSIN



ISSUED BY THE FINANCE DEPARTMENT

# FOND DU LAC COUNTY, WISCONSIN

December 31, 2013

## Table of Contents

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Officials of the County	ii
Organization Chart	iii
Finance Department Personnel	iiii
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 14
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	15 - 16
Statement of Activities	17 - 18
Fund Financial Statements	
Balance Sheet - Governmental Funds	19 - 21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22 - 24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - County Road & Bridge Fund	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Department of Community Programs	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Department of Social Services	28
Statement of Net Position - Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	31 - 32
Statement of Net Position - Agency Funds	33
Notes to Basic Financial Statements	34 - 55
SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues and Other Financing Sources - Budget and Actual	56 - 59
Schedule of Expenditures and Other Financing Uses - Budget and Actual	60 - 67
Nonmajor Governmental Funds	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69

**FOND DU LAC COUNTY, WISCONSIN**

December 31, 2013

Table of Contents (continued)

	<u>Page No.</u>
Nonmajor Proprietary Funds	
Combining Statement of Net Position	70
Combining Statement of Revenues, Expenses and Changes in Net Position	71
Combining Statement of Cash Flows	72
Balance Sheet – Debt Service Fund	73
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	74
Internal Service Funds	
Combining Statement of Net Position	75
Combining Statement of Revenues, Expenses and Changes in Net Position	76
Combining Statement of Cash Flows	77
Combining Balance Sheet – Agency Funds	78
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	79 - 80
Capital Assets used in the Operation of Governmental Funds	
Comparative Schedules by Source	81
Schedule by Function and Activity	82 - 85
Schedule of Changes by Function and Activity	86 - 88
STATISTICAL SECTION	
Schedule 1 - Net Position by Component	89
Schedule 2 - Changes in Net Position	90 - 92
Schedule 3 - Fund Balances, Governmental Funds	94
Schedule 4 - Changes in Fund Balance, Governmental Funds	95 - 95
Schedule 5 - Equalized Value and Actual Value of Taxable Property	96
Schedule 6 - Direct and Overlapping Property Tax Rates	97 - 98
Schedule 7 - Principal Property Tax Payers	99
Schedule 8 - Property Tax Levies and Collections	100
Schedule 9 - Ratios of Outstanding Debt by Type and General Bonded Debt	101
Schedule 10- Direct and Overlapping Governmental Activities Debt	102
Schedule 11- Legal Debt Margin Information	103
Schedule 12- Demographic and Economic Statistics	104
Schedule 13- Principal Employers	105
Schedule 14- Full-time Equivalent County Employees by Function/Program	106 - 107
Schedule 15- Selected Operating Indicators by Function/Program	108 - 109
Schedule 16- Capital Asset Statistics by Function/Program	110
Schedule 17- Schedule of Insurance in Force	111
Schedule 18- Miscellaneous Statistics	112



# Fond du Lac County

July 31, 2014

To the Honorable County Board of Supervisors and the Citizens of Fond du Lac County, WI:

Wisconsin State Statute and Administrative Rule Tax 16 require counties with populations of 25,000 or more to submit annual audited financial statements by July 31. Debt issuance covenants also require the County to prepare financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The audited financial statements must be submitted to any nationally recognized municipal securities information repository by 270 days after the end of the fiscal year. Major federal and state programs impose additional audit requirements. Pursuant to the above requirements, we hereby issue the comprehensive annual financial report of Fond du Lac County for the fiscal year ended December 31, 2013.

This report consists of management's representations concerning the finances for Fond du Lac County, Wisconsin. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of Fond du Lac County, Wisconsin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Fond du Lac County, Wisconsin financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Fond du Lac County, Wisconsin comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is accurate, complete and reliable in all material respects.

The Fond du Lac County, Wisconsin financial statements have been audited by Schenck, S.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Fond du Lac County, Wisconsin for the fiscal year ended December 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Fond du Lac County, Wisconsin financial statements for the fiscal year ended December 31, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented immediately after the introductory section of this report.

The independent audit of the financial statements of Fond du Lac County, Wisconsin was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are issued separately as the Federal Awards and State Financial Assistance Report for Fond du Lac County, Wisconsin and are available through the Finance Department.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Fond du Lac County, Wisconsin MD&A can be found immediately following the independent auditors' report.

### **Profile of the Government**

Fond du Lac County, Wisconsin incorporated in 1839, is located in the east central part of the state, at the foot of Lake Winnebago. Fond du Lac County, Wisconsin occupies a land area of 725 square miles and serves a population of approximately 101,955. Fond du Lac County, Wisconsin is empowered to levy a property tax on both real and personal properties located within its boundaries.

Fond du Lac County, Wisconsin operates under a County Board – County Executive form of government. The County Board exercises legislative control and the County Executive exercises administrative control over all County operations. In April 2012, the Board was increased from eighteen to twenty-five members elected by district to two-year terms. The County Executive is also non-partisan and is elected to a four-year term. The County Board of Supervisors is responsible, among other things, for passing resolutions, adopting and amending the budget, and approving appointments to committees. The County Executive is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the County, and for appointment of heads to non-elected departments.

Fond du Lac County, Wisconsin provides a full range of services contemplated by statute or charter. These services include law enforcement protection, health and human services programs, construction and maintenance of highways, recreational and educational activities, planning and conservation activities, health care facilities, support for the state's judicial system, and general administrative services.

The annual budget serves as the foundation for Fond du Lac County, Wisconsin financial planning and control. All County departments are required to submit subsequent year budget requests annually in September to the County Executive. These requests are the starting point for developing the proposed budget presented by the County Executive to the County Board in October each year for their review and adoption. The County Board is required to hold public hearings on the proposed budget and to adopt a final budget by late November each year. The budget is adopted at the fund/department level (e.g. Dept. of Social Services, Sheriff), but is prepared at the program/activity and line item detail level for review. Transfers of appropriations within a fund/department up to \$1,500 or ten percent of the aggregate approved budget, whichever is less, may be authorized by action of the Finance, Personnel and Economic Development Committee. Any other transfer or additional appropriation must be approved by the full County Board.

Budget to actual comparisons are provided in this report for the general fund and major special revenue funds. This comparison is presented on pages 25–28 as part of the basic financial statements. A more detailed budget to actual comparison for the general fund is presented in the supplementary information section of this report on pages 56–67.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Fond du Lac County, Wisconsin operates.

#### **Local Economy**

As has occurred nationally, the economy in Fond du Lac County continued to strengthen in 2013. There were no announcements of any significant plant closings. Job growth did occur in large and small numbers in several businesses lowering the County's unemployment rate to 5.4%. The County's history of sound financial management, a diverse and stable tax base and low unemployment suggest why Moody's Investors Service has enough confidence in the County to maintain the rating of Aa2 on the County's long-term debt.

The County's equalized property value showed only a slight decrease of 0.25% from the 2012 valuation that followed three straight years of 1-2.5% declines. Beginning in 2010, negative inflation rates on

residential properties offset by new construction of less than 2% per year have been primarily responsible for a reduction in equalized value in this period. Annual changes are shown in the table below.

Year	Equalized Value (including TID's)	% Change
2013	\$6,773,848,400	-0.25%
2012	\$6,790,536,100	-2.5%
2011	\$6,965,437,800	-1.0%
2010	\$7,034,574,600	-1.1%
2009	\$7,114,302,200	1.5%
2008	\$7,006,677,700	4.1%

Mercury Marine is the largest employer in Fond du Lac County. Decisions that were made in 2009 by Mercury Marine officials to consolidate Stillwater, Oklahoma operations in Fond du Lac included a transfer of approximately 250 jobs. Fond du Lac County played a significant role in that decision in that the County agreed to loan Mercury Marine \$50M over a period of 12 years amortized in the last ten years at an interest rate of 2%. The loan is performance based therefore Mercury is able to earn credits toward repayment of the loan based on 1,526 employees in Fond du Lac County. If Mercury Marine maintains that level, they will annually receive a credit of \$500 per employee. For any number above 1,526 up to 2,900 employees, Mercury Marine will annually receive \$1,000 per employee as a credit toward repayment of the loan. Estimated employment at the Mercury Marine facility in Fond du Lac County is 3,100 as of this writing. In 2010, the Company made a decision to bring 200 additional jobs to Fond du Lac that they had originally planned to transfer to a manufacturing plant at another location. In order to have the space for the transfer, they added 30,000 square feet to the Fond du Lac manufacturing facility. In 2011, the company completed the transfer of the manufacturing equipment from Stillwater as planned and hired workers to begin stern drive production at the Fond du Lac facility in 2012. Total employment at the Fond du Lac plant is over 3,100 as of the end of the first quarter of 2014. Fond du Lac County chose to pay for the credits and interest subsidy above 2% through the County option .05% sales tax. The sales tax revenue for Fond du Lac County has been averaging \$500,000 to \$550,000 per month since it began in April, 2010.

Our second largest employer Agnesian HealthCare, is completing construction of a new facility. They are constructing a new hospital in Ripon that will moderately increase their employment and bring more medical professionals to the County.

Wells Manufacturing has opened their new manufacturing facility in the Rolling Meadows Industrial Park at a cost of approximately \$7 million for plant and equipment, resulting in the retention of 214 jobs and an additional 73 new jobs, most of which were added by late 2013. The City has found a developer to purchase the existing plant on Brooke Street which will improve that area of the City and allow for some additional jobs at that site.

Alliance Laundry has been experiencing significant sales volume growth of their home use clothes washer and dryer units. As a result, they decided to expand their Ripon facility in order to meet production demands. Fond du Lac County loaned Alliance Laundry \$500,000 through the Fond du Lac County Economic Development Corporation. That decision aided in their decision to expand their Ripon facility. The expansion was completed in the third quarter of 2013 and has resulted in approximately 270 new jobs at the Ripon facility producing their new Speed Queen product.

Even before this first expansion was completed, Alliance Laundry officials realized that to keep up with the growing demand they needed to add another production line by the 4<sup>th</sup> quarter of 2015 which will require an investment of \$47,000,000 for plant and equipment and will add approximately 150 additional jobs at their Ripon facility. They again came to Fond du Lac County to ask for financial incentive to help them do this expansion and Fond du Lac County agreed to provide a \$6,000,000 loan at the interest rate that Fond du Lac County received when the County did their bond issue at 3.14%. Beginning in 2016, Fond du Lac County will provide a \$1,000 credit against loan repayments for each job created above a

base of 1,570 to a maximum credit of \$150,000 or 150 jobs. The \$6,000,000 loan will be amortized over eight years with \$1,000,000 principal payment plus interest due each year beginning in 2016. If sales trends continue at Alliance Laundry, there may be another expansion beyond this one required in the future. This is great news for Fond du Lac County. While laundry product is not recession proof it is not subject to the whims of the economy, like marine engines.

The economic development professionals in Fond du Lac County continue to expect modest plant expansions within the next 12 months resulting in an increase of jobs within the county. Mercury Marine completed its fifth plant expansion and by the end of 2013 that added to their employment base. Overall, there is optimism as the County's economy continues to strengthen as we move through 2014 which should result in a reduction in the unemployment rate as employment levels increase.

Fond du Lac County has appropriated \$500,000 in 2010, \$1 Million in 2011, \$200,000 in 2012, \$500,000 in 2013 and \$100,000 in 2014 of sales tax revenue to the Fond du Lac County Economic Development Corporation to supplement and enhance their revolving loan fund providing them with more flexibility to assist county businesses with expansion and adding employment. The loans have helped create over 520 new jobs, retain 234 jobs and leverage over \$85 million in business investment. These economic strategies have caused Fond du Lac County to be ranked at 19<sup>th</sup> in the nation for manufacturing job growth between April 2010 and April 2014.

### **Long-Term Financial Planning**

As part of the budget process and long range planning, the County Executive employs a five-year capital improvement plan that is approved by the County Board. The plan identifies major capital projects and the methods to finance them.

Several highway projects have been part of the capital improvement plan, including the railroad grade separation and bridge replacement on Pioneer Road, which will positively impact the local economy. It is a joint project with the City of Fond du Lac. \$6,000,000 in federal dollars has funded approximately 40 percent of the cost. Some state funds were also available with the balance of \$7,500,000 split with the City of Fond du Lac. Engineering of the project began in 2008 and the four lane bridge construction was completed in November, 2011. The railroad underpass has been under construction since the summer of 2012 and was completed in November 2013.

A significant positive impact on the County budget beginning in 2009 is the annual State Shared Utility Revenue resulting from the construction and operation of 168 wind turbines within Fond du Lac County generating approximately \$642,000 of revenue annually for the County. Changes in the state's political climate have stopped any further expansion.

### **Cash management**

Cash temporarily idle during the year was invested in certificates of deposit, demand deposits and the State of Wisconsin Local Government Investment Pool. The County has adopted an investment policy which establishes guidelines for investments, while insuring that investment assets are adequately safeguarded.

### **Relevant Financial Policies**

Fond du Lac County employs many financial policy techniques in an effort to maintain a strong financial position. Although not formally adopted, the County's goal is to maintain a 10-20 percent unassigned general fund balance of the subsequent year's general fund operating budget. Currently that percentage is 13.5.

## **2013 in Review**

The financial position of Fond du Lac County, Wisconsin is sound as of the end of fiscal year 2013. One measure of our financial stability is the amount of unassigned general fund at year end. As of December 31, 2013, the unassigned general fund balance was \$7,026,862, an increase of \$949,729 from

the prior year end. Outstanding debt at the end of 2013 was \$22,720,000 for capital projects, plus \$1,225,000 remaining on the funds originally borrowed in 2002 to pay off the unfunded pension liability to the Wisconsin Retirement System. That brings Fond du Lac County, Wisconsin's total outstanding general obligation debt at the end of 2013 including the \$50,000,000 Mercury Marine loan and the \$6,000,000 Alliance Laundry System loan to \$75,970,000, which is 22.4 percent of our legal debt limit set by State Statute.

The majority of departments, large and small alike, again returned 2013 budget surpluses to the general fund. Each department's diligent efforts in controlling costs and increasing revenues, wherever possible, are contributing factors to Fond du Lac County, Wisconsin's good financial position. Some county positions have been eliminated, some have been left vacant, and some have been filled on a delayed basis. A voluntary unpaid leave policy started in 2001 has been continued, generating approximately \$23,000 of salary/wage and related fringe savings, net of unemployment compensation, in 2013.

Two large health and human services departments are responsible for returning significant budget surpluses to the general fund: \$ 1,001,364 from the Department of Community Programs while the Department of Social Services returned \$1,231,166.

### **Health Insurance**

Health insurance costs are a major component of our budget at over \$10 million in premiums. In 2012, the employee health insurance premium co-pay rose to 18 percent. If the employee has a health risk assessment it is 15 percent and 12 percent if the employee's Health Risk Assessment (HRA) score meets or exceeds their personal goal. These employee contribution rates have been maintained through 2013 and 2014.

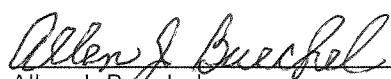
Effective January 1, 2014, the County no longer allows retirees to remain on the County's group health insurance plan, helping the County to realize a zero percent premium increase for 2014.

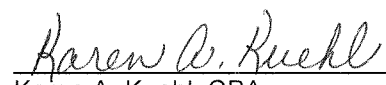
In 1999, I publicly stated in my budget message that the increased cost of medical care, and the resulting impact on health insurance, if left unchecked, will undermine every local government's ability to provide services to the people they represent. And that, in fact, is what has happened. Fond du Lac County Administrative Staff has worked hard with insurance professionals to find ways to reduce premium costs through employee awareness and wellness programs, preventive health education, benefit restructuring, and funding. Staff continues to search for new ways to reduce the cost of medical care, such as the Virtual Clinic. In conjunction with the wellness initiatives, the Health Navigator Project for diabetes, hypertension and elevated cholesterol was implemented in 2011. It is a medical model that monitors and coaches people with these diseases to achieve better health and quality of life.

The County's wellness efforts appear to be having a positive impact because the projected rate increase for medical insurance premiums for 2015 is again zero percent, with no plan changes.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and the fiscal services staff of all County departments. Credit must also be given to the Fond du Lac County, Wisconsin Board of Supervisors and the Finance, Personnel and Economic Development Committee for their unfailing support for maintaining the highest standards of professionalism in the management of Fond du Lac County, Wisconsin's finances.

  
Allen J. Buechel  
County Executive

  
Karen A. Kuehl, CPA  
Finance Director



# OFFICIALS OF THE COUNTY OF FOND DU LAC

County Executive ----- Allen J. Buechel

## COUNTY BOARD OF SUPERVISORS 2012-2014

Chairperson -----Martin F. Farrell  
Vice-Chairperson-----Judy Goldsmith  
Second Vice-----Tom Dornbrook

### **FINANCE, PERSONNEL AND ECONOMIC DEVELOPMENT COMMITTEE**

Brenda A. Schneider, Chair  
Thomas E. Dornbrook, Vice-Chair  
Judy Goldsmith  
Herbert G. Ottery  
Martin F. Farrell, County Board Chair

### **HIGHWAY, AIRPORT AND FACILITIES COMMITTEE**

Joseph W. Koch, Chair  
John G. Zorn, Vice-Chair  
Karen Madigan  
John E. Muentner, Sr.  
Richard R. Wetzel

### **HUMAN SERVICES COMMITTEE**

Donald O. Skog, Chair  
Paul T. Levandowski, Vice-Chair  
Lisette A. Aldrich  
Jay J. Myrechuck  
Gary A. Will

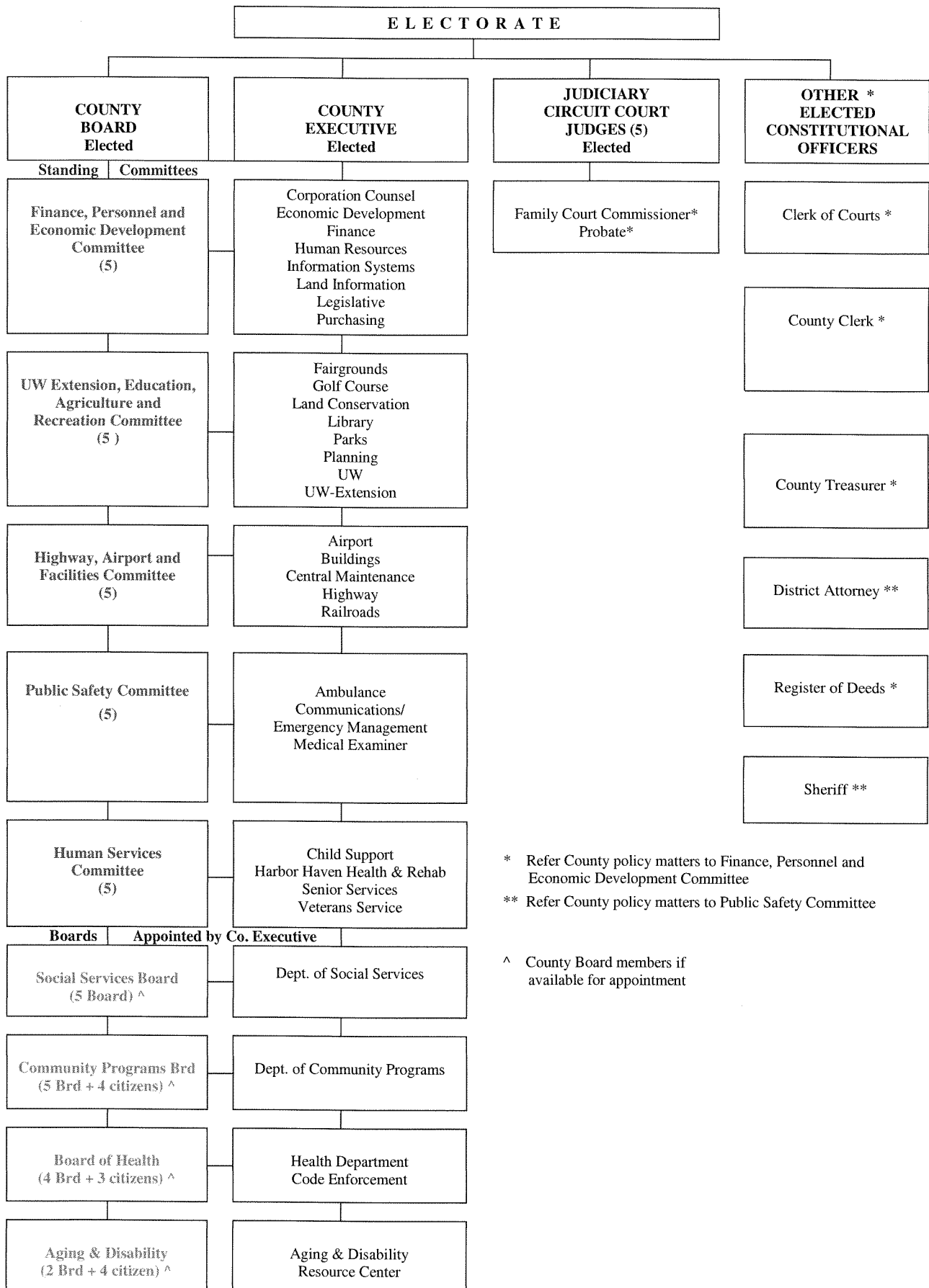
### **PUBLIC SAFETY COMMITTEE**

Mike Gannon, Chair  
Martin E. Schroeder, Vice-Chair  
Robert J. Giese  
John W. Meyst  
Dennis N. Stenz

### **UW-EXTENSION EDUCATION, AGRICULTURE AND RECREATION COMMITTEE**

Sherry L. Behnke, Chair  
James D. Kiser, Vice-Chair  
Steven A. Abel  
Theodore J. Eischeid  
Mary Jean Nicholson

**ORGANIZATIONAL CHART - 25 COUNTY BOARD SUPERVISORS  
FOND DU LAC COUNTY, WISCONSIN**



\* Refer County policy matters to Finance, Personnel and Economic Development Committee

\*\* Refer County policy matters to Public Safety Committee

^ County Board members if available for appointment

# **FOND DU LAC COUNTY**

## **FINANCE DEPARTMENT PERSONNEL**

Finance Director ..... Karen A. Kuehl, CPA  
Assistant Finance Director..... Tammy Pinno-Supple, CPA  
Payroll Coordinator ..... Ann C. Lallier  
Account Specialist ..... Susan J. Bruins  
Accounting Assistant ..... Cecelia A. Achterberg